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SBC Communications Inc.
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April 15, 1997

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Federal Communications Commission
Office of Secretary

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

Re: CC Docket No. 96-262 - Access Reform; CC Docket No. 96-45 / Universal Service

Yesterday, April 14, Bill Blase and Stephen Carter of SWBT and Rex Mitchell and I of SBC met with: Greg Rosston, Elliot Maxwell and Robert Pepper of the Office of Plans and Policy; Gina Keeney, Richard Metzger, Kathy Franco and Jim Schlichting of the Common Carrier Bureau; Tom Boasberg and Brian Hughes of the Chairman's office; and Jim Casserly of Commissioner Ness' office. We discussed the above dockets, specifically the material in the attached document. Please associate this material with the above referenced proceeding.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

Alan F. Ciamporcero
Vice President
Federal Regulatory Relations
Pacific Telesis Group
(A Subsidiary of SBC Communications, Inc.)

Universal Service and Access Reform Plan



April 1997

Universal Service and Access Reform

- Steps that must be taken by May 8, 1997
- Bell Atlantic/NYNEX/AT&T Proposal
- The Chairman's Reported Proposals
- SBC/BLS Interim Plan for Access Reform

Steps That Must Be Taken by May 8, 1997

- Support must be explicit and sufficient - **254(e)**
- All carriers providing interstate telecommunications services must contribute - **254(d)**
- Universal service must be defined - **254(c)**
- Only eligible telecommunications carriers can receive support - **254(e)**
- Commission and States must ensure affordability - **254(i)**

Bell Atlantic/NYNEX/AT&T Proposal

- Recommends inappropriate rate reinitialization
- Implements arbitrary rate cuts, not mandated by Congress
- Implements an asymmetrical presubscribed line charge

Bell Atlantic/NYNEX/AT&T Proposal (cont.)

- Fails to address \$4.0 billion in implicit universal service support currently contained in LEC switched access prices
- Denies universal service support to large LECs
- Operates outside the scope of the Act by including internal connections and Internet service in the education fund

The Chairman's Reported Proposals

- Imposes inequitable SLC charges
- Undersizes universal service support fund
- Questionable level of support for large LEC high cost areas
- USF surcharge not considered

The Chairman's Reported Proposals (cont.)

- Imposes disproportionate presubscribed line charge
- Reduces terminating rates faster than originating
- Does not apply access charges to unbundled elements

SBC/BLS Interim Plan for Universal Service and Access Reform

- Consistent with the Act and allows time for transition to a long-term plan
- Implements a sufficient interstate high cost fund for all LECs
- Implements a reasonably sized education fund
- Removes majority of implicit support from access prices

SBC/BLS Interim Plan for Universal Service and Access Reform (cont.)

- Based on known quantity of interstate universal service support - \$5.7 billion
- Funding obligation based upon interstate retail revenues - Recovered through a PSL charge
- Education fund for telecommunications services - LEC foundation for other educational needs
- Education funding recovered through a surcharge

SBC/BLS Interim Plan for Universal Service and Access Reform (cont.)

- Carrier common line charges reduced to zero and local switching charges reduced by approximately 30%
- TIC recovery through a PSL charge
- Price cap productivity changes targeted to TIC
- Terminating usage charges no higher than originating
- LEC entitled to recover all interstate costs when its network is used

Estimated Effects of AT&T/Bell Atlantic/NYNEX Proposal in 4-4-97 Ex Parte

LEC	A Approx. Rev. Reduc. if Rates Retargeted \$M	B Approx. Price Cap Rules Reduction \$M	C 20% of estimated TIC \$M	D 7-1-97 Reduction (Largest of A, B or C) \$M	E Estimate of Remaining TIC 7-1-97 \$M	F Reduction on 7-1-97 in Excess of TIC \$M	G 7-1-98 Reduction (Larger of TIC or Price Caps) \$M	H Percent Rev. Reduc. on 7-1-97 %	I Percent Rev. Reduc. on 7-1-98 %	J Total Percent Rev. Reduc. (H + I) %
Ameritech	(363)	(81)	(64)	(363)	0	(42)	(69)	-14.4%	-3.2%	-17.6%
Bell Atlantic	(5)	(94)	(73)	(94)	269	0	(91)	-3.2%	-3.2%	-6.4%
NYNEX	(156)	(102)	(123)	(156)	460	0	(115)	-4.9%	-3.8%	-8.7%
BA / NYNEX (merged)	(161)	(196)	(196)	(250)	729	0	(206)	-4.1%	-3.5%	-7.6%
BellSouth	(404)	(105)	(54)	(404)	0	(132)	(92)	-12.3%	-3.2%	-15.5%
Citizen's Telecom (consolid.)	(20)	(6)	(5)	(20)	4	0	(5)	-11.4%	-3.2%	-14.6%
Tier 1	(17)									
Tier 2	(3)									
GTE (consolidated)	(484)	(87)	(37)	(484)	0	(301)	(72)	-17.8%	-3.2%	-21.0%
Contel (consolidated)	(129)									
General (consolidated)	(332)									
Lincoln (Aliant)	(3)	(1)	(1)	(3)	2	0	(1)	-9.5%	-3.2%	-12.7%
SWBT	(20)	(39)	(50)	(50)	198	0	(64)	-2.4%	-3.2%	-5.6%
Pacific (consolidated)	(281)	(57)	(26)	(281)	0	(152)	(48)	-15.7%	-3.2%	-18.9%
California	(267)									
Nevada	(14)									
SBC (SWBT & Pacific)	(301)	(97)	(75)	(331)	198 46	(152) net	(113)	-8.6%	-3.2%	-11.8%
Rochester (consolidated)	(21)	(4)	(1)	(21)	0	(14)	(3)	-15.9%	-3.2%	-19.1%
New York (RTNY)	2									
Subsidiaries (RTCS)	(16)									
Frontier Comm/MN&IA	(7)									
SNET	8	(7)	(9)	(9)	35	0	(11)	-2.4%	-3.2%	-5.6%
Sprint	(182)	(20)	(18)	(182)	0	(93)	(28)	-17.4%	-3.2%	-20.6%
US WEST	(152)	(79)	(93)	(152)	313	0	(78)	-6.2%	-3.4%	-9.6%
Total of Above LECs	(2,083)	(682)	(553)	(2,218)	1,282	(734)	(678)	-9.8%	-3.3%	-13.1%